

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA IMMEDIATE

C O N F I D E N T I A L STATE 047243

EXDIS FOR CHARGE FROM SCAUFELE

E.O. 11652: GDS

TAGS: EAID, CG

SUBJECT: FY 77 ASSISTANCE PROPOSALS

1. WE ARE URGENTLY REVIEWING OUTLOOK FOR INCREASED ASSISTANCE TO ZAIRE TO IDENTIFY WHAT IS MOST NEEDED IN AFTERMATH OF RECENT EVENTS IN ANGOLA. IF WE ARE TO AMEND AID FY 77 CONGRESSIONAL SUBMISSION RATHER THAN GOING THE MORE COMPLICATED SUPPLEMENTAL ROUTE, TIME IS OBVIOUSLY OF THE ESSENCE. CONGRESSIONAL HEARINGS ON THE AFRICAN PROGRAM ARE EXPECTED TO TAKE PLACE IN ABOUT TWO WEEKS.

2. WHILE THE SCHEDULE OF THE SECRETARY'S AFRICAN TRIP HAS NOT YET BEEN APPROVED, IT SEEMS ALMOST CERTAIN THAT HE WILL BE VISITING ZAIRE, PROBABLY IN EARLY APRIL. WE WOULD LIKE TO HAVE OUR PLANNING WELL IN ORDER SO THAT
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ANY SIGNIFICANT NEW PROGRAMS, POLICIES OR DIRECTIONS
COULD BE DECIDED BY THEN FOR POSSIBLE USE DURING HIS VISIT.

3. THE RECENT CABINET CHANGES AND MOBUTU'S INITIALING
OF THE IMF LETTER OF INTENT, WHICH INDICATES A WILLINGNESS
TO ACCEPT STRONG MEDICINE IN THE SHORT TERM, ARE
ENCOURAGING SIGNS THAT ZAIRE IS PREPARED TO LIVE WITH
THE PRACTICAL NEED OF SHORT TERM AUSTERITY AND REALISTIC
PLANNING. WE WANT TO BE AS RESPONSIVE AS WE CAN TO THIS

DECISION AND WILL BE CONSIDERING GESTURES AND STATEMENTS
OF US INTENT THAT COULD BE PARTICULARLY HELPFUL TO ZAIRE
AT THIS SENSITIVE PERIOD.

4. WE WOULD LIKE TO REVIEW ALL FACETS OF AID TO ZAIRE
ON CRASH BASIS WITH AN EYE TO DETERMINING AREAS OF
GREATEST PRIORITY NEED, POTENTIAL SITUATIONS OF INSTA-
BILITY OR POLITICAL VULNERABILITY SUSCEPTIBLE TO SOME
REALISTIC REMEDIAL ACTION ON OUR PART, ONGOING PROJECTS
WHERE WE SHOULD TRY TO SPEED UP IMPLEMENTATION, AND
SHIFTS IN EMPHASIS IN PROPOSED FY '77 PROGRAM DUE TO
ANGOLAN DEVELOPMENTS. SEPTEL FOLLOWS CONCERNING NEXT
ACTION ON 76 SSA PROGRAM.

5. CONGRESSIONAL ACTION ON FY '76 SSA BILL NOT YET COM-
PLETED. PRESENT INDICATIONS ARE THAT SSA FUNDS AVAILABLE
FOR ZAIRE WILL BE IN THE NEIGHBORHOOD OF US DOLS. 10-12
MILLION AND NOT OVER US DOLS. 15 MILLION. ANTICIPATE
FINAL CONGRESSIONAL ACTION PRIOR TO COMMENCEMENT OF FY '77
HEARINGS, SCHEDULED TO BEGIN MID-MARCH. WOULD ANTICIPATE
AUTHORIZATION AND EXECUTION ZAIRE CIP LOAN ASAP AFTER SSA
BILL BECOMES LAW. IN ORDER TO RESPOND TO ZAIRE'S IMMEDIATE
ECONOMIC SITUATION AND TAKE ACCOUNT OF EXISTING POLITICAL
AND SECURITY SITUATION, THE FOLLOWING POSSIBILITIES
APPEAR TO EXIST FOR POSSIBLE FY '77 ASSISTANCE EFFORTS

A. ADDITIONAL SSA PROGRAM LOAN FINANCING. LEVEL OF
US DOLS. 40 MILLION MAY BE POSSIBLE AND WOULD APPEAR
BOTH RESPONSIVE TO SITUATION AND COMPATIBLE WITH OTHER
EFFORTS NOTED BELOW.

B. WE ARE ALREADY PLANNING INDICATIVE PROGRAM OF US DOLS.
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8 MILLION FOR RICE (SEE PARA 6). POSSIBLY THIS COULD BE
INCREASED FOR COTTON.

6. MAIN QUESTION WITH FY '77 SSA IS HOW LARGE A PROGRAM
IS NEEDED AND REALLY USEFUL. WE DO NOT, OF COURSE,
WISH TO ACCUMULATE IMPORT FINANCING IN PIPELINE WHICH
ZAIRE CANNOT EFFECTIVELY DISBURSE. AS PRACTICAL MATTER,

ANNOUNCEMENT THAT US IS ASKING FOR CERTAIN SUM IN FY '77 MAY HAVE PSYCHOLOGICAL IMPACT, BUT PROGRAM CANNOT BE IMPLEMENTED UNTIL AFTER SEPTEMBER WHICH IS THE EARLIEST WE WOULD HAVE ANY FORM OF CONGRESSIONAL APPROPRIATION

AUTHORITY. HOWEVER, WE ASSUME THERE WOULD BE LITTLE NEED FOR ADDITIONAL IMPORT FINANCING BEFORE SOME TIME IN 1977. AT A MINIMUM, WE ENVISAGE ANOTHER ASSISTANCE PACKAGE FOR FY 77 CONSISTING OF 8 MILLION DOLLARS TITLE I PL 480 AND ABOUT 40 MILLION DOLLARS SSA. EXIMBANK AND CCC AVAILABILITIES WILL DEPEND ON SATISFACTORY COURSE OF MULTINATIONAL DEBT RESCHEDULING.

7. CONCERNING FY 76 CCC CREDITS, EMBASSY SHOULD INSURE THAT ONCE IMF STANDBY FUNDS BECOME AVAILABLE, GOZ MAKES PROMPT PAYMENT OF 10 PERCENT CCC FRONT MONEY. ABOUT 3 MILLION DOLLARS OF CCC COMMODITIES HAVE ALREADY BEEN SHIPPED. REMAINING 12 MILLION DOLLARS HAS BEEN COMMITTED, BUT CANNOT BE SHIPPED UNTIL A GUARANTEED LETTER OF CREDIT COVERING THE 10 PERCENT FRONT MONEY IS ISSUED.

8. EXIM WILL PROBABLY BE RELUCTANT TO EXTEND ADDITIONAL CREDIT FOR NEW PROJECTS AT THIS TIME, GIVEN DEBT RESCHEDULING ELEMENT OF IMF STABILIZATION AGREEMENT AND ITS EXISTING HEAVY EXPOSURE IN ZAIRE.

9. CONTINENTAL GRAIN FLOUR MILL: WE PLAN TO TAKE STEPS TO REQUEST THAT ZAIRE'S CATEGORY C FCIA CREDIT RATING BE RESTORED TO FACILITATE THE ISSUING OF POLITICAL INSURANCE.

10. WE WOULD ALSO EXPECT THAT PROJECTED MULTILATERAL DEBT RELIEF EXERCISE UNDER IMF AUSPICES SHOULD REDUCE CONFIDENTIAL

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PRESSURE ON ZAIRE'S BALANCE OF PAYMENTS. WE SHALL BE ENCOURAGING OUR ALLIES TO RESPOND POSITIVELY TO DEBT RESCHEDULING REQUESTS.

11. OUR ALLIES HAVE ALREADY BEEN URGED TO LOOK AT THE QUESTION OF INTERIM FINANCING FOR SMTF AND INGA-SHABA PROJECTS, TO INSURE THAT PROGRESS ON THE FIRST PROJECT IS RESUMED ASAP AND THAT SECOND IS NOT MOTHBALLED.

12. AID DOES NOT BELIEVE THERE IS MUCH THAT CAN BE DONE TO INCREASE IMPACT OF ONGOING PROJECTS BY E.G. SPEEDING UP IMPLEMENTATION. ANY NEW PROJECTS WOULD ALSO BE VERY SLOW IN GETTING UNDERWAY, AND THEREFORE NOT RESPONSIVE

TO IMMEDIATE NEED FOR VISIBLE PROGRESS. HOUSING INVESTMENT GUARANTEE PROGRAM ADDRESSES ITSELF TO SERIOUS PROBLEM IN KINSHASA, BUT IT IS OUR IMPRESSION THAT TERMS OF PROGRAM PRECLUDE IT FROM BEING TRULY RESPONSIVE TO URGENT NEED FOR LOW INCOME HOUSING. IF WAY COULD BE FOUND TO MAKE HIG-2 PROGRAM RESPONSIVE, THIS WOULD HAVE OBVIOUS POLITICAL IMPACT. THERE MAY BE OTHER PROJECTS WHICH ADDRESS THEMSELVES TO PROBLEM AREAS NOT CONSIDERED IN FY 77 PROGRAM.

13. REFUGEES: PRESENCE OF LARGE NUMBERS OF UNHAPPY ANGOLAN REFUGEES IN BAS ZAIRE WOULD APPEAR TO BE CONCRETE EXAMPLE OF POTENTIAL SECURITY PROBLEM WHERE US MAY BE OF ASSISTANCE. WE ARE DISCUSSING QUESTION WITH REFUGEE DISASTER RELIEF AND OTHER APPROPRIATE OFFICIALS, BUT WE NEED MORE SPECIFIC FIGURES SHOWING PRECISE NEEDS (FOOD, TEMPORARY HOUSING, MEDICAL ASSISTANCE, CLOTHING) AND INDICATION HOW MANY MAY REMAIN IN ZAIRE, AND HOW LONG REFUGEES WILL STAY BEFORE RETURNING TO ANGOLA. BEST TERMS FOR FOOD ASSISTANCE CAN BE PROVIDED THROUGH PL 480 TITLE II GRANT AID, BUT ONLY COMMODITIES AVAILABLE ARE BULGAR, CORN-SOYA BLEND AND SOYA FORTIFIED SORGHUM GRITS (FOR CHILDREN, INVALIDS, ETC.). IF UNHCR INSISTS ON OBTAINING RICE, IT CAN ASK GOZ TO APPROACH WORLD FOOD PROGRAM. WE ARE ALSO EXPLORING POSSIBILITY OF NHCR-CCC RICE CREDIT
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AGREEMENT. IF WE WISH TO OBTAIN MORE RICE FOR REFUGEES OURSELVES EMBASSY MAY WISH TO CONSIDER HAVING GOZ REQUEST AN INCREASE IN 8 MILLION DOLLARS PL 480 TITLE I RICE CREDIT, BUT FIRST STEP OBVIOUSLY IS TO GET THIS AGREEMENT CONCLUDED AND RICE SHIPMENTS STARTED FOR USE EITHER ON ZAIRIAN MARKET OR FOR REFUGEES. WE UNDERSTAND EMBASSY NOW HAS FRENCH LANGUAGE TEXT. WE WILL PUSH TO GET SHIPMENTS ON THEIR WAY AS SOON AS WE ARE INFORMED AGREEMENT IS SIGNED.

14. MAP AND FMS PROGRAMS: POOR PERFORMANCE OF THE ZAIRIAN FORCES IN ANGOLA HAS SURELY INTENSIFIED MOBUTU'S PERCEPTION OF AN EXTERNAL THREAT AND THE NEED FOR AN IMPROVED DEFENSE. C-130, CESSNAS, JEEPS AND TRUCKS BEING PROVIDED UNDER 19 MILLION DOLLARS FY 76 FMS CREDIT ARE RESPONSIVE TO THIS NEED. EMBASSY SHOULD REVIEW FY 77 FMS PROGRAM SET AT 28 MILLION DOLLARS TO BE USED FOR TRANSPORTATION, COMMUNICATIONS AND AIR DEFENSE EQUIPMENT, TO DETERMINE WHETHER THESE ARE ALL TOP PRIORITY ITEMS IN LIGHT OF ANGOLAN MILITARY BUILD-UP. WE WONDER, FOR EXAMPLE, WHETHER SOME OTHER TYPES OF EQUIPMENT MIGHT NOT

BE SUBSTITUTED FOR COMPLICATED RADAR AND CHAPPAREL-VULCAN

SYSTEM AT THIS STAGE.

15. THERE MAY BE OTHER ACTIONS OUTSIDE THE DOMAIN STRICTLY OF ECONOMIC OR MILITARY ASSISTANCE WHICH WOULD ALSO SERVE TO BOLSTER MORALE IN ZAIRE AND DEMONSTRATE OUR DETERMINATION TO HELP MOBUTU. YOUR IMAGINATIVE SUGGES-

TIONS ARE SOLICITED. YOU SHOULD KEEP IN MIND THAT ANY CHANGE IN AID PROGRAM WILL REQUIRE AMENDMENT OF BOTH DEVELOPMENT ASSISTANCE AND SSA PRESENTATIONS WHICH HAVE ALREADY BEEN DELIVERED TO CONGRESS. THIS ACTION SHOULD TAKE PLACE PRIOR TO MID MARCH HEARINGS. ACCORDINGLY, DESIRE YOUR RESPONSE BY COB 1 MARCH.

16. AS YOU KNOW, SOME MEMBERS OF CONGRESS HAVE EXPRESSED CONCERN ABOUT LEVELS OF FMS AT TIME USG IS PARTICIPATING IN FINAHNCING PROGRAMS TO MEET SHORT TERM BOP PROBLEMS AND ANY REASSESSMENT MUST LOOK AT WAYS WHICH TAKE CLEAR
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ACCOUNT OF THIS INTERRELATIONSHIP.

17. WE HAVE JUST RECEIVED YOUR 1676 AND WILL PROVIDE COMMENTS ASAP.

18. MEANTIME IN VIEW FACT FOREGOING IS IN PLANNING STAGE ONLY, YOU SHOULD NOT RPT NOT DISCUSS POSSIBLE SCOPE OF FY 77 PROGRAM EITHER WITH RESPECT TO COMPOSITION OR SIZE WITH GRZ. YOU ARE AUTHORIZED DISCUSS REFUGEE PROBLEM (PARA 13) ABOVE WITH GRZ IN ORDER TO OBTAIN DATA REQUIRED HERE. INGERSOLL

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